

Unemployment Compensation Fund

FY 2002 Proposed Operating Budget:

\$8,200,000

FY 2002 Proposed Capital Budget:

\$0

The Unemployment Compensation Fund seeks to provide unemployment compensation benefits to former District government employees during periods of unemployment that are a result of separation through no fault of their own.

The FY 2002 proposed operating budget is \$8,200,000, an increase of \$2,001,000, or 32.3 percent, over the FY 2001 approved budget.

Budget Summary

The FY 2002 proposed operating budget for the Unemployment Compensation Fund is \$8,200,000, an increase of \$2,001,000, or 32.3 percent, over the FY 2001 approved budget (table BH0-1). This increase represents a proactive response to the expected layoffs of approximately 500 employees at D.C. General Hospital. There are no full-time equivalents (FTEs) supported by this budget, no change from FY 2001. All funds for payments to recipients are derived from local funds.

Strategic Issues

The Unemployment Compensation Fund will improve the reporting system and services to both employers and claimants by implementing an improved software system.

FY 2002 Initiatives

- Implement an Internet-based electronic reporting system for employer quarterly reports to allow employers to submit required tax and wage reports online, thereby eliminating the need to submit paper reports. The program software includes the capability to automatically calculate excess wages and taxes due.
- Install an interactive voice response (IVR) system to improve services to both employers and claimants. The IVR will allow household employers and small employers with 10 or fewer employees to transmit quarterly wage reports by telephone. Implementation of this system will automatically provide status information to claimants, such as the date of the last unemployment check issued. Claimants also will be able to submit biweekly claims for benefits by telephone, a process which is operational in 40 states, including Virginia and Maryland.

Table BH0-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(Dollars in thousands)

Unemployment Compensation Fund

	Actual FY 2000	Approved FY 2001	Proposed FY 2002	Change from FY 2001
Subsidies and Transfers	4,133	6,199	8,200	2,001
<i>Subtotal Nonpersonal Services (NPS)</i>	<i>4,133</i>	<i>6,199</i>	<i>8,200</i>	<i>2,001</i>
Total Proposed Operating Budget	4,133	6,199	8,200	2,001

- Implement a new-hire directory cross-match system to assist in the prevention and detection of claimant benefit overpayments. The system would identify individuals who had recently returned to work for a District employer but were continuing to file for unemployment compensation benefits. Several states are currently utilizing this technique with great success.
- Install an integrated scanning, imaging, and retrieval system to process the voluminous paper documents received from both employers and claimants. Such integrated systems have been installed in over 20 states and have significantly improved productivity and efficiency of operations.
- Secure continuing technical assistance from the vendors who implemented both the new automated tax and automated benefits systems. This continuing technical assistance is needed until Department of Employment Services staff can be fully trained to operate and maintain both systems.

Agency Background

The Unemployment Compensation Fund is a nondiscretionary program that pays benefits to eligible former District government employees whose employment was terminated under certain conditions. This includes individuals discharged involuntarily due to a reduction in force, an expiration of temporary or term appointments, and for reasons

that do not constitute misconduct. People who leave voluntarily with good cause are also eligible.

Based on the legal mandates of the D.C. Unemployment Compensation Act (D.C. Code Sec.46-101), the Federal Unemployment Tax Act (26 USC 3301-3311), and the Social Security Act (42 USC 501-504), former employees of the District government are entitled to unemployment compensation benefits. These benefits, which are initially paid from the District's Trust (601), are reimbursed by the Unemployment Compensation Fund (100). The Unemployment Compensation Fund has been established for the sole purpose of providing the required funds to reimburse the Trust Fund.

The fund is administered by the Department of Employment Services (DOES); it has no full-time equivalent positions. The fund anticipates a mid-year FY 2001 transfer of the unemployment insurance check-processing function from DOES to the D.C. Office of Finance and Treasury. This administration change will not affect its funding level.

The proposed legislation (District of Columbia Unemployment Compensation Administration Enhancement Amendment Act of 2000, Bill Number 13-737) requires a transfer of funds from the Interest Account to the Special Administrative Fund. The transfer will decrease the Interest Account by 25 percent of the account's available balance. As of September 30, 2000, the balance in the account was \$7,666,447. These funds are to be used exclusively for the administration of the

unemployment compensation program. The Department of Employment Services, which administers the Unemployment Insurance program, will use the funds to supplement the program's administration.

The Department would be required to request additional authority to expend those funds in FY 2001 and will be required to budget for maintenance costs in future years for equipment and software purchased under the initiatives.

Program

The fund's sole program is disbursing unemployment compensation benefits to former District government employees during periods of unemployment that are a result of separation through no fault of their own.

Funding Summary

Local

The proposed budget of \$8,200,000 is an increase of \$2,001,000 over the FY 2001 approved budget. One hundred percent of the budget is for nonpersonal services. There are no FTEs supported by local sources, no change from FY 2001.

The significant change is a \$2,001,000 increase to fund the unemployment benefits received by as many as 500 D.C. government employees whose positions are expected to be eliminated through a reduction in force. The additional budget authority will also fund the residual cost of any employees separated from their jobs in FY 2001. Refer to the FY 2002 Operating Appendices (bound separately) for details.

Trend Data

Table BH0-2 shows expenditure history for FY 1998–FY 2002.

Table BH0-2

FY 2002 Proposed Operating Budget, by Revenue Type

(Dollars in thousands)

Unemployment Compensation Fund

	Actual FY 1998	Actual FY 1999	Actual FY 2000	Approved FY 2001	Proposed FY 2002
Local	6,390	5,454	4,133	6,199	8,200
Gross Funds	6,390	5,454	4,133	6,199	8,200